

## Message Text

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ACTION EA-14

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01

/162 W

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R 010745Z APR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 0962

INFO AMEMBASSY JIDDA

UNCLAS TOKYO 4239

E.O. 11652: N/A

TAGS: EIND, JA, SA

SUBJECT: JAPANESE FIRMS PLAN INVESTMENTS IN SAUDI ARABIA

REF: JIDDA 1575

SUMMARY: MARCONA ANNOUNCED MARCH 25 IN TOKYO THAT TWO JAPANESE FIRMS WOULD PARTICIPATE WITH MARCONA AND DUTCH FIRM ESTEL IN SAUDI ARABIAN STEEL MILL PROJECT. NISSAN DIESEL IS CONSIDERING ASSEMBLY IN SAUDI ARABIA OF HEAVY TRUCKS ON KNOCK-DOWN BASIS. NISSAN MOTORS NEGOTIATING WITH SAUDIS ON JOINT VENTURE TO PRODUCE SMALLER TRUCKS. HONDA MOTOR COMPANY HAS DECIDED ESTABLISHED JOINT VENTURE TO PRODUCE MOTORCYCLES ON KNOCK-DOWN BASIS. END SUMMARY.

1. TOKYO OFFICE OF U.S. FIRM MARCONA CORPORATION ANNOUNCED MARCH 25 THAT AGREEMENT HAD BEEN REACHED FOR ESTABLISHMENT BY SAUDI ARABIA, JAPANESE, AMERICAN, AND DUTCH INTERESTS OF JOINT VENTURE COMPANY TO BE CALLED PETROMA TO CONSTRUCT AND OPERATE LARGE-SCALE STEEL MILL IN SAUDI ARABIA. FIRMS PARTICIPATING WOULD BE PERTROMIN  
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(SAUDI ARABIA) WITH SHARE OF 50 PERCENT; NIPPON STEEL

AND NIPPON KOKAN (JAPAN) WITH COMBINED SHARE OF 12.5 PERCENT; MARCONA (U.S.) WITH 25 PERCENT; ESTEL (DUTCH) WITH 12.5 PERCENT. PETROMA WOULD BE ESTABLISHED IN APRIL AND THE MILL BEGIN OPERATIONS IN 1975. INITIAL ANNUAL CAPACITY WOULD BE ONE MILLION TONS: (PERHAPS THREE MILLION TON CAPACITY REPORTED REFTEL IS LONGER TERM GOAL.) ANNOUNCEMENT DID NOT INDICATE THAT PROJECT IS CONTINGENT ON ADDITIONAL FEASIBILITY STUDY (AS DID REFTEL). WHEN QUERIED BY EMBASSY, NIPPON STEEL AND NIPPON KOKAN REFERRED QUESTIONS TO MARCONA; MARCONA CONFIRMED CONTENTS OF ANNOUNCEMENT BUT PROVIDED NO ADDITIONAL DETAILS.

2. NISSAN DIESEL IS CONSIDERING UNDERTAKING ASSEMBLY IN SAUDI ARABIA OF HEAVY TRUCKS ON KNOCK-DOWN BASIS. ACCORDING RECENT PRESS REPORTS, NISSAN DIESEL NOW NEGOTIATING WITH SAUDI ARABIAN FIRM RORAKO ON PROJECT INVOLVING INITIAL PRODUCTION OF 300-400 TRUCKS ANNUALLY WITH PRODUCTION RISING TO 1,000 UNITS ANNUALLY TO MEET EXPECTED LOCAL DEMAND. NISSAN DIESEL SOURCE CNFIRMED TO EMBASSY THAT SUCH A PROJECT UNDER CONSIDERATION BECAUSE OF RISING FREIGHT CHARGES AND PRODUCTION COSTS IN JAPAN, BUT ADDED THAT CONSIDERATION IS STILL IN AN EARLY STAGE.

3. NISSAN MOTORS HAS REPORTEDLY REACHED AGREEMENT WITH SAUDI FIRM ZAHARAN TO ESTABLISH JOINT TRUCK MANUFACTURING VENTURE WITH ANNUAL PRODUCTION OF 18,000 TRUCKS OF ONE-TON CAPACITY. NISSAN MOTOR'S SHARE IN VENTURE WOULD BE 40 PERCENT AND ZAHARAN'S 60 PERCENT. REPORTEDLY, AGREEMENT WAS REACHED FOLLOWING SAUDI ARABIAN GOVERNMENT PROMISE TO CONSIDER RAISING TARIFF AGAINST IMPORTED VEHICLES FOLLOWING COMPLETION OF PROPOSED PLANT. NISAN MOTORS OFFICIAL DENIED TO EMBASSY THAT AGREEMENT HAD BEEN REACHED ON THIS SCHEME, BUT ACKNOWLEDGED THAT TALKS HAVE BEEN HELD WITH ZAHARAN, AN IMPORTER-DISTRIBUTER OF NISSAN VEHICLES.

4. FINALLY, PRESS REPORTS MARCH 27 INCICATE HONDA MOTOR COMPANY PLANS TO ESTABLISH JOINT VENTURE WITH SAUDI

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ARABIAN PARTNER TO PRODUCE 5,000 MOTORCYCLES ANNUALLY ON A KNOCK-DOWN BASIS. REPORTEDLY, HONDA HOPES ULTIMATELY TO PRODUCE 4,000 AUTOMOBILES OF 360 CC ENGINE CAPACITY AT SAME FACTORY. HONDA REP TOLD EMBASSY THAT HONDA HAS ALREADY DECIDED TO FORM TIZ-UP WITH SAUDI FIRM OF ABDULLAH HASHIM, AND THAT HONDA WILL SEND A TECHNICAL SURVEY TEAM UNDER DIRECTOR SHIGERU SHINOMIYA TO SAUDI ARABIA IN APRIL FOR FURTHER DETAILED

STUDIES. HONDA PLAN IS PART OF AMBITIOUS SCHEME TO  
EXPAND NUMBER OF JOINT VENTURES IN LDCS INVOLVING  
MOTORCYCLE PARTS PRODUCTION AND/OR ASSEMBLY FROM ABOUT  
27 AT PRESENT TO ABOUT 50 OVER COURSE OF NEXT TWO YEARS.  
COMMENT: ONE COMPLAINT MADE TO DEPUTY PM MIKI AND  
OTHER GOJ REPS DURING RECENT VISITS TO MIDDLE  
EAST COUNTRIES WAS THAT JAPANESE FIRMS OFTEN EXPRESSED  
INTEREST IN INVESTMENTS IN THOSE COUNTRIES BUT THAT TALK  
SELDOM MATURNED INTO ACTUAL PROJECTSM WITH THAT  
CIRTICISM IN MIND AND WITH INCREASED JAPANESE INTEREST  
IM MIDDLE EAST, FIRMS NOW NEGOTIATING VENTURES SEEM  
TO BE SERIOUSLY INTERESTED IN REACHING AGREEMENT.  
END COMMENTARY.  
SHOESMITH

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRUCKS, STEEL PLANTS, JOINT VENTURES, INDUSTRIAL PLANTS, AUTOMOBILES, MOTORCYCLES, BUSINESS FIRMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 APR 1974  
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**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**To:** STATE  
**Type:** TE  
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